

Message Text

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ACTION AF-08

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TO SECSTATE WASHDC PRIORITY 1030
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
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AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 10614

E.O. 11652: GDS
TAGS: EFIN, CG, ETEL, FR
SUBJECT: DOMSAT AND ZAIRIAN ECONOMIC PERFORMANCE

REF: (A) STATE 301761; (B) KINSHASA 10491

1. MOBUTU RECEIVED ME FOR ONE-HOUR MEETING DECEMBER 21. FOREIGN MINISTER NGUZA WAS ALSO PRESENT. I HAD PREVIOUSLY INDICATED TO NGUZA WHAT I WANTED TO DISCUSS, SO MY PRESENTATION DID NOT COME AS COMPLETE SURPRISE TO MOBUTU.

2. I STARTED BY NOTING THAT SOME VERY IMPORTANT MONTHS LAY AHEAD OF US: WE WOULD SHORTLY BE UNDERTAKING BILATERAL NEGOTIATIONS ON THE TERMS OF DEBT RESCHEDULING; THERE WOULD SOON BE ANOTHER MEETING OF THE PARIS CLUB TO CONSIDER RESCHEDULING FOR NEXT YEAR; PRESUMABLY THE IBRD CONSULTATIVE GROUP WOULD ALSO MEET EARLY NEXT YEAR; AND, OF COURSE, THERE WERE THE IMPORTANT CONSULTATIONS WITH THE IMF WHICH THE GOZ HAD ALREADY BEGUN. I SAID IT WAS EVIDENT THAT THE SUCCESS OF THESE INTERNATIONAL EFFORTS WOULD BE CRITICAL TO ZAIRE'S RECOVERY, AND THE UNITED STATES LOOKED FORWARD TO PLAYING AS HELPFUL AND POSITIVE ROLE AS POSSIBLE.
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3. I NOTED FURTHER THAT THIS IMPORTANT SEQUENCE OF EVENTS HAPPENED TO COINCIDE WITH THE TRANSITION TO A NEW ADMINISTRATION IN WASHINGTON AND THE CONVENING OF A NEW CONGRESS. IT WAS ONLY NATURAL THAT THE TRANSITION SHOULD OCCASION A GENERAL REVIEW OF FOREIGN POLICIES, AND INDEED THIS PROCESS HAD ALREADY STARTED.

FURTHERMORE, IT WAS TO BE EXPECTED THAT OUR POLICIES TOWARD THOSE COUNTRIES TO WHICH WE WERE DEVOTING CONSIDERABLE RESOURCES, LIKE ZAIRE, WOULD BE SUBJECT OF PARTICULAR ATTENTION.

4. WITH RESPECT TO THOSE RESOURCES, I RECALLED THE GREAT EFFORT WE HAD MADE, PARTICULARLY DURING THE PAST YEAR, TO ASSIST ZAIRE TO SURVIVE AND OVERCOME THE PRESENT ECONOMIC CRISIS AND AT THE SAME TIME TO HELP STRENGTHEN ZAIRE'S DEFENSE CAPABILITIES. I CITED THE LEVELS OF OUR CURRENT ASSISTANCE PROGRAMS AND THE PLANS NOW BEING FORMULATED IN WASHINGTON TO CONTINUE OR EXPAND THOSE PROGRAMS NEXT YEAR: PL-480, CIP LOAN, FMS, ETC. I ALSO NOTED THAT AFTER MUCH EFFORT WE WERE CLOSE TO CONCLUDING A NEW EXIM BANK LOAN FOR \$68 MILLION TO CONTINUE BUILDING THE INGA-SHABA LINE, AND THAT PROSPECTS LOOKED GOOD FOR IMPORTANT EXIM CREDITS TO HELP KEEP THE COPPER INDUSTRY GOING.

5. I SAID A VITALLY IMPORTANT ELEMENT FOR THE CONTINUATION OF THIS COOPERATION HAS BEEN THE GOZ'S OWN EFFORTS TO EFFECT ECONOMIC RECOVERY. WE WERE FULLY AWARE AND APPRECIATIVE OF THOSE EFFORTS DURING THE PAST YEAR AND OF THE FACT THAT THEY REQUIRED MAKING MANY HARD DECISIONS. IT WAS MY VIEW -- AND THAT OF MANY OF MY COLLEAGUES IN WASHINGTON, I WAS SURE -- THAT SOME IMPORTANT PROGRESS TOWARD RECOVERY HAD ALREADY RESULTED FROM THE GOZ'S STABILIZATION PROGRAM.

6. ON THE OTHER HAND, I WENT ON, IT WAS DIFFICULT TO BE VERY SANGUINE ABOUT THE EASE OR RAPIDITY WITH WHICH ZAIRE CAN EMERGE FROM ITS CURRENT PROBLEMS. THE WORLD COPPER MARKET REMAINED DEPRESSED, OIL PRICES WOULD SOON RISE AGAIN, EVEN OUR OWN ECONOMIC RECOVERY HAD SLOWED. MOREOVER, AS MUCH INTERNATIONAL

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ASSISTANCE AS HAD ALREADY BEEN EXTENDED TO ZAIRE, IT WAS CLEAR THAT MUCH MORE WOULD BE NEEDED. AND IT WAS EQUALLY EVIDENT THAT, AS MUCH EFFORT AS THE GOZ HAD ITSELF MADE TOWARD STABILIZING ITS ECONOMY, TO REALLY SUCCEED IT WOULD HAVE TO DO MORE THAN IT HAD TO DATE. IN THIS REGARD, I SAID, THERE SEEMED LITTLE QUESTION THAT A NEW STABILIZATION PROGRAM, WORKED OUT WITH THE IMF, WAS OF GREAT IMPORTANCE. HOWEVER, I DID NOT REGARD IT AS MY RESPONSIBILITY TO INVOLVE MYSELF IN WHAT WAS OBVIOUSLY A MATTER BETWEEN ZAIRE AND THE FUND. IF WE COULD BE HELPFUL IN THE PROCESS, WE WOULD OF COURSE TRY TO BE SO. BUT WHAT SEEMED CLEAR WAS THAT A NEW, SERIOUS PROGRAM INVOLVING THE IMF WAS INDISPENSABLE FOR IMPLEMENTATION OF THE LONDON ACCORD AND FOR GENERALLY RESTORING CONFIDENCE AMONG FOREIGN BANKERS AND INVESTORS.

7. I SAID THAT ANOTHER IMPORTANT CONSIDERATION FOR THOSE FRIENDS WHO WISHED TO GO ON HELPING ZAIRE WAS THE ASSURANCE THAT THE GOZ WAS MKAING EVERY EFFORT TO PURSUE AUSTERITY AND TO EXERCISE TIGHT MANAGEMENT OVER THE ECONOMY. THIS INCLUDED REFRAINING FROM UNDER-

TAKING NEW FINANCIAL OBLIGATIONS THAT WERE NOT ENTIRELY NECESSARY FOR ECONOMIC RECOVERY AND DEVELOPMENT. IN THIS CONNECTION, I SAID, I WANTED THE PRESIDENT TO BE AWARE OF THE CONCERN THAT HAD BEEN GENERATED BY THE DOMSAT CONTRACT. QUESTIONS HAD BEEN RAISED AS TO THE PRIORITY OF THIS PROJECT AND ITS IMPACT ON ZAIRE'S OVERALL DEBT BURDEN. IT WAS UNDERSTAND-ABLE IF THOSE BEING ASKED TO RESCHEDULE DEBTS ALREADY DUE SHOULD QUESTION WHY THEY SHOULD IN EFFECT BE HELPING TO FINANCE A FRENCH INVESTMENT.

8. AT THIS POINT MOBUTU BROKE INTO THE CONVERSATION, AND WITH CONSIDERABLE VIGOR. HE SAID HE WANTED TO MAKE HIS POSITION ABSOLUTELY CLEAR ON DOMSAT. FIRST, IT WAS NOT A "NEW" CONTRACT. HE HAD AGREED TO THE PROJECT MORE THAN A YEAR AGO, DURING THE GISCARD VISIT IN AUGUST 1975. IN THIS REGARD, MOBUTU SAID, THE IMF (PRESUMABLY RUSSO) WAS NOT TELLING THE TRUTH WHEN IT RECENTLY SUGGESTED THAT ZAIRE HAD VIOLATED ITS AGREEMENT WITH THE FUND NOT TO CONTRACT ANY NEW LOANS. SECOND, ZAIRE HAD TURNED TO CONFIDENTIAL

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THE FRENCH ONLY AFTER AN AMERICAN COMPANY, COLLINS, HAD ABRUPTLY ABANDONED ITS NEGOTIATIONS WITH THE GOZ. ITT HAD TRIED TO COME IN LATER, BUT AFTER THE AGREEMENT WITH GISCARD. THIRD, DOMSAT WAS A COMMITMENT THAT MOBUTU, AS CHIEF OF STATE, HAD PERSONALLY MADE AND IT THEREFORE MUST BE KEPT. JUST AS SEVERAL YEARS AGO HE HAD MADE A COMMITMENT TO AMBASSADOR VANCE TO AWARD THE INGA-SHABA CONTRACT TO AN AMERICAN COMPANY HE HAD NEVER HEARD OF, DESPITE EQUALLY OR EVEN MORE ATTRACTIVE OFFERS FROM SEVERAL WELL-KNOWN EUROPEAN FIRMS. FINALLY, THE FRENCH

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HAD ALREADY AGREED TO RESCHEDULE DOMSAT FINANCING, MEANING THAT ZAIRE "WOULD NOT HAVE TO PAY A FRANC FOR YEARS".

9. I SAID I UNDERSTOOD HIS POSITION, SOME OF WHICH BISENGIMANA HAD PREVIOUSLY OUTLINED TO ME. I ALSO APPRECIATED THE NEED TO KEEP COMMITMENTS ONCE MADE. IT WAS NEVERTHELESS DIFFICULT FOR US TO EXPLAIN WHY, JUST AT THIS CRITICAL JUNCTURE, THE GOZ FELT OBLIGED TO MOVE AHEAD WITH SUCH A LARGE CONTRACT OF THIS KIND. WHILE I WAS NOT SPECIFICALLY INSTRUCTED TO SEEK A DEFERRAL IN IMPLEMENTING DOMSAT, CERTAINLY SUCH A MOVE WOULD BE REASSURING TO THOSE TRYING TO HELP ZAIRE.

10. MOBUTU RESPONDED TO THIS ONE WITH A REFERENCE TO "ZAIRIAN SOVEREIGNTY" -- A REMARK MADE MORE WITH ANIMATION THAN ANIMOSITY. HE THEN WENT ON TO TELL ME A FEW THINGS ABOUT AMERICAN CONTRACTS. FIRST THERE WAS THE PANAM TECHNICAL SERVICES CONTRACT WITH AIR ZAIRE WHICH, ACCORDING TO A REPORT JUST WRITTEN BY HIS TRANSPORTATION COMMISSIONER, HAD NOT ACCOMPLISHED VERY MUCH GIVEN ITS HIGH COSTS. THEN THERE WAS INGA-SHABA, WHICH HE WAS TOLD ORIGINALLY WOULD RUN \$250 MILLION BUT NOW HAD SPIRALED TO SOME \$600 MILLION. EVEN GOODYEAR WAS TURNING OUT TIRES IN ZAIRE WHICH COULD BE IM-
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PORTED MORE CHEAPLY FROM EUROPE. ALL OF THESE CONTRACTS AND INVESTMENTS WERE EXPENSIVE, MOBUTU CONTENTED, BUT ZAIRE WAS NEVERTHELESS HONORING ITS COMMITMENTS.

11. I ACKNOWLEDGED HIS POINT, BUT NOTED THE DIFFERENCE BETWEEN THOSE PROJECTS UNDERTAKEN SEVERAL YEARS AGO WHEN COPPER PRICES WERE UP AND ZAIRE'S ECONOMY HEALTHY, AND CONTRACTS SUCH AS COMSAT COCLUDED NOW WHEN ECONOMIC CONDITIONS WERE SO DIFFICULT. INDEED, IT WAS FOR THAT REASON WE HAD REFRAINED FROM ENCOURAGING EVEN OUR OWN COMPANIES TO SEEK THE CONTRACT. AS FOR ZAIRIAN SOVEREIGNTY, I ASSURED MOBUTU WE WOULD ALWAYS RESPECT IT IN OUR DEALINGS WITH HIM AND THE GOZ. IT WAS CERTAINLY NOT OUR INTENTION TO TRY TO TELL ZAIRE HOW TO RUN ITS OWN AFFAIRS. HOWEVER, WE DID WANT TO KEEP MOBUTU INFORMED OF CERTAIN REALITIES CONCERNING US ATTITUDES AND CAPABILITIES IN THE INTEREST OF MAINTAINING THE COOPERATION BETWEEN OUR TWO COUNTRIES WHICH OVER THE YEARS HAD PROVED SO MUTUALLY USEFUL. AND ONE OF THE BEST WAYS TO STRENGTHEN THAT COOPERATION, I REITERATED, WAS TO DEMONSTRATE THAT ZAIRE IS TAKING EVERY FEASIBLE STEP TO OVERCOME ITS ECONOMIC AND FINANCIAL DIFFICULTIES.

12. MOBUTU SAID HE UNDERSTOOD WHAT I WAS SAYING. THERE WAS NO QUESTION THAT HE WOULD PURSUE EVEN MORE STRINGENT ECONOMIC POLICIES IN THE FUTURE THAN HE HAD ALREADY. HE SUGGESTED THAT I LISTEN CAREFULLY TO THE AUSTERITY PROGRAM FOR NEXT YEAR WHICH HE WOULD BE OUTLINING IN HIS ANNUAL BUDGET MESSAGE TO THE LEGISLATIVE COUNCIL LATER IN THE DAY (SEPTTEL). THE CONVERSATION CLOSED WITH HIS EXPRESSING APPRECIATION FOR THE FRENCH LANGUAGE COPY OF "WHY NOT THE BEST" WHICH I HAD BROUGHT ALONG. HE SAID HE HOPED THAT DURING THE TRANSITION PERIOD PRESIDENT-ELECT CARTER AND SECRETARY-DESIGNATE VANCE WERE BEING FULLY BRIEFED ON ZAIRE'S PRESSING NEEDS.

13. COMMENT: MOBUTU COULD NOT HAVE BEEN TOO HAPPY WITH OUR CONVERSATION, ALTHOUGH HIS REACTIONS TO MY COMMENTS, WHILE RATHER SHARP AT TIMES PARTICULARLY WHEN HE GOT INTO DOMSAT, WERE NOT AS NEG-CONFIDENTIAL

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ACTIVE AS THEY MIGHT HAVE BEEN. HOWEVER, ONLY TIME WILL TELL HIS REAL REACTION TO AN APPROACH OF THIS KIND. MEANWHILE, THERE IS NO QUESTION THAT MOBUTU GOT THE MESSAGE WITH RESPECT TO THE NEED TO IMPROVE ZAIRE'S ECONOMIC PERFORMANCE, AND HE CERTAINLY UNDERSTAND FULLY OUR UNHAPPINESS ABOUT DOMSAT. ON THIS, HOWEVER, I BELIEVE HE INTENDS TO STAND FIRM, COUNTER-CHARGING AS NECESSARY THAT OUR OWN RECORD IS NOT THE BEST WHEN IT COMES TO HIGH PRICED PROJECTS. WHILE THERE ARE OBVIOUS DISTINCTIONS, I THINK WE HAVE GONE FAR ENOUGH NOW IN MAKING OUR POINT. WE HAVE LONG KNOWN BISENGIMANA'S NEGATIVE VIEWS ON INGA-SHABA, AND I SUSPECT HE MAY BE BEHIND MOBUTU'S CRITICISM OF THE PANAM CONTRACT AS WELL. AS WE HAVE PREVIOUSLY POINTED OUT IN OUR REPORTING, WE OURSELVES HAVE SOME PRETTY LARGE AND LUCRATIVE PROJECTS GOING HERE; AND WE SHOULD THINK TWICE BEFORE PUSHING THE GOZ TO THE POINT WHERE WE MIGHT RISK TRIGGERING SOME REACTIONS AGAINST OUR OWN INTERESTS HERE. WHILE THE DEPT MUST DECIDE WHETHER THERE IS ANYTHING TO BE GAINED BY PURSUING DOMSAT WITH THE FRENCH, I AM CONCERNED THAT WE NOT DO SO IN A WAY THAT WILL SIMPLY SERVE TO RILE THE GOZ FURTHER. WE MIGHT FIRST TRY TO DETERMINE FROM THE FRENCH WHETHER DOMSAT FINANCING HAS IN FACT BEEN RESCHEDULED AND TO WHAT EXTENT THIS ACTUALLY RELIEVES THE ADDITIONAL DEBT BURDEN. WE SHOULD THEN CONSIDER CAREFULLY WHETHER FURTHER DEMARCHES IN PARIS OR ELSEWHERE WILL DO MORE HARM THAN GOOD TO OUR OVER-ALL INTERESTS HERE. MY OWN VIEW IS THAT WE SHOULD KEEP OUR EYE ON WHAT IS REALLY THE MAIN OBJECTIVE; AGREEMENT WITH THE IMF AND IMPLEMENTATION OF MORE STRINGENT CONTROL OVER THE ECONOMY.

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